بسم الله الرحمن الرحيم

Usury and interest: A practical approach.

1. Islam and Practical Life

- Islam encourages a balanced, practical life, giving humans freedom to use their faculties, enjoy God's blessings, and work toward self-improvement (Qur'an 4:28, 7:31-32, 13:11).
- Life should be lived ethically and efficiently, without excess waste.

2. Riba (Usury) in the Quran

- Usury is strongly condemned (2:275-279). Those who engage in it are warned of severe consequences, while those who desist are pardoned.
- There is ambiguity in defining riba, and historically, scholars have debated its precise scope. Today, "interest" and "usury" are often treated as synonymous.

3. Economic Principles

- Production involves adding utility through land, labor, capital, and organization.
- Each factor in production deserves fair recompense. Denying capital a reward while paying labor and land is unjust and

impractical; production requires all four factors.

4. Riba vs. Charity

- Lending without compensation can occur in cases of charity or helping someone in extreme need.
- Islam permits charity and zakat but forbids unjust profiteering from loans.
- Classical riba refers to an increase over principal, especially in essential commodities (wheat, barley, dates, salt) or gold and silver.

5. Modern Financial Context

- Modern economies involve long-term loans, inflation, and risk. Strict prohibition of interest can undermine economic justice and efficiency.
- Interest today is often not exploitative; it allows for home ownership, business expansion, and social development.
- The interest system functions as a multiplier, channeling savings into productive investments.

6. Justice and Pragmatism

- Islam emphasizes fairness and the prevention of exploitation.
- Classical riba laws addressed profiteering, not legitimate economic credit.
- Modern financial instruments (banks, mortgages, stock markets) are essential to economic life and not inherently exploitative.

7. Scholarly Approaches

- Scholars have developed alternative structures like musharaka, mudaraba, and “no profit/no loss” banking to comply with Quranic injunctions.
- However, these systems must be examined for real effectiveness versus symbolic compliance.
- A question remains whether new ijtihad (independent reasoning) is needed to adapt Islamic law to modern finance.

8. Receipt vs. Payment of Riba The sin lies in taking usury, not in paying it. Being harmed by riba is not sinful, but extorting wealth through interest is condemned (Qur’an 30:39).

- Historical examples (Prophet’s last sermon, Abbas ibn ‘Abd’al-Muttalib) show that the

prohibition focused on receiving usury, not giving it.

Abdullah Yusuf Ali's View on Riba

- Abdullah Yusuf Ali accepts classical Islamic scholarship on usury but offers a nuanced, pragmatic interpretation:

1. Definition of Riba: He distinguishes between "undue profit made, not in the way of legitimate trade, out of loans of gold, silver, or essential food items" versus modern economic credit.
   - Classical riba: Profiteering from loans of necessary goods or money, exploiting the borrower.
   - Modern interest: Credit created by banks and finance, which facilitates economic activity, home ownership, and welfare.
2. Exclusion of Modern Banking: He explicitly excludes "economic credit, the creature of modern banking and finance" from the classical notion of usury.
3. Underlying Principle: His interpretation focuses on intention and exploitation. Riba is

sinful when the lender profits unfairly from another's hardship, not when interest enables productive investment or mutual economic benefit.

4. Bribery vs. Interest: He clarifies that Quranic references to riba in some verses (e.g., 30:39) concern bribery or manipulative gain, not routine interest in productive lending.

- In essence, Yusuf Ali emphasizes spirit over letter: prohibiting exploitation while allowing modern financial mechanisms that serve collective welfare, provided they are fair and transparent

Javed Ahmad Ghamdi's view on interest (riba) and usury, which is complementary but distinct from Abdullah Yusuf Ali's nuanced position:

1. Fundamental Principle

Ghamdi emphasizes that the Quran's prohibition of riba targets unjust exploitation, not the mere earning of a return on money. He distinguishes between:

- Usury (classical riba): Profiting from someone else's hardship or compulsion, especially on loans of essential goods or money.
- Legitimate profit/interest: Returns earned through voluntary financial transactions that are mutually agreed upon and productive.

He stresses that the Quran's objective is justice and equity, not a blanket ban on all forms of financial remuneration.

2. Contextual Understanding of Riba

- In pre-Islamic Arabia, riba typically involved doubling debts or exploiting borrowers in hardship. The Quranic verses condemned this clearly (2:275–279).
- Ghamdi argues that riba was context-specific: the prohibition applied to excessive, unfair, or coercive gains, not all profit from loans.
- The Quran was addressing economic exploitation, not the principle of earning interest for the use of capital in trade or investment.

3. Interest in Modern Finance

- Modern banking, loans, and interest-based transactions are voluntary and contractual, unlike historical riba where debtors had no choice and were often trapped.
- Ghamdi maintains that if both parties consent and the transaction is fair and non-exploitative, interest is not riba.
- This view allows for modern credit systems, mortgages, corporate finance, and banking without contradicting Quranic principles.

Ghamdi's interpretation is pragmatic and context-sensitive. He does not see the Quran as banning all interest, only the kind that is exploitative and coercive, especially on essential goods or basic loans. Modern banking and interest are permissible when they are fair, mutually agreed upon, and serve productive economic purposes.